

Message Text

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SUBJECT: PROPOSED TOOLING AND METALWORKING - IOGA TRADE MISSION -
AUGUST 8-21, 1976

REF: STATE 086529

1. THE OUTLOOK FOR SALES OF METALWORKING EQUIPMENT APPEARS ENCOURAGING BECAUSE OF THE STEADY EXPANSION OF INDUSTRIAL ACTIVITY IN THE PHILIPPINES. A CONSIDERABLE IMPROVEMENT IS SEEN FOR THOSE U.S. SUPPLIERS WHO HAVE COME TO UNDERSTAND PHILIPPINE CONDITIONS AND REQUIREMENTS. CONSERVATIVE TRADE SOURCES PLACE THE AVERAGE ANNUAL MARKET GRWOTH RATE BETWEEN 15 TO 20 PERCENT. MARKET OPPORTUNITIES ARE GREATEST FOR PRODUCTION TYPES OF METALWORKING EQUIPMENT AS AGAINST UNIVERSAL OR GENERAL TYPE TOOLS.

2. RECENT PHILIPPINE GROWTH HAS BEEN DUE LARGELY TO THE PROGRESSIVE CAR MANUFACTURING PROGRAM (PCMP). GENERAL MOTORS \$17 MILLION TRANSMISSION PLANT IMPORTED MACHINE TOOLS VALUED AT AROUND \$5 MILLION. THE DANA CORPORATION PROJECT INVOLVED \$4 TO 5 MILLION WORTH OF METAL WORKING EQUIPMENT FOR THE PRODUCTION OF AXLES, DANA ASSEMBLY PROJECT IS HOPEFULLY EXPECTED TO BE OPERATIONAL BY END OF 1976 AND THE MANUFACTURING FACILITIES BY 1977. THE COLT M-16 REFLE PROJECT INVOLVES \$6 MILLIN WORTH OF MACHINE TOOLS.

3. A MARKET IS DEVELOPING FOR NUMERICAL MACHINES. TO
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DATE THERE ARE THREE NUMERICAL MACHINE INSTALLATIONS IN

THE COUNTRY WITH OPPORTUNITY FOR A FOURTH UNIT.

4. THIRD COUNTRY COMPETITION HAS DOMINATED THE MARKET FOR USED METALWORKING EQUIPMENT IN WHICH THERE IS SUBSTANTIAL OPPORTUNITY. PURCHASES HAVE BEEN PRINCIPALLY FROM THE U.K. AND JAPAN. PRODUCTION TYPE METALWORKING EQUIPMENT IS SOURCED PRIMARILY FROM JAPAN AND WEST GERMANY. GENERAL PURPOSE METALWORKING EQUIPMENT IS FROM JAPAN, TAIWAN, INDIA AND RECENTLY THE PEOPLES REPUBLIC OF CHINA.

5. KNOWLEDGEABLE TRADE SOURCES SUGGEST THAT U.S. MARKET SHARE COULD BE IMPROVED BY MORE CARE IN PRESENTATION OF EQUIPMENT PROPOSALS. WHILE U.S. PRICES ARE DEFINITELY HIGHER ACROSS THE BOARD, SUPPLIERS CAN BE SUCCESSFUL WITH SKILLFUL PRESENTATION OF THEIR OFFERS. FOR EXAMPLE, HIGH QUALITY U.S. LATHES CONFORMING TO PRECISE SPECIFICATIONS MAY BE PROVEN TO BE CHEAPER IN COST FOR A GIVEN PRODUCTION FUNCTION THAN A LOWER PRICED THIRD-COUNTRY LATHE. ON A CONTINUING BASIS U.S. SUPPLIERS NEED TO IMPRESS ON END-USERS THAT THEY EXCEL IN TECHNOLOGY AND SUPPORT, AND THAT PARTS OF U.S. EQUIPMENT ARE READILY AVAILABLE.

6. IMPORTS OF METALWORKING AND FINISHING MACHINERY AND EQUIPMENT ARE AS FOLLOWS, IN MILLIONS OF DOLLARS FOB VALUE COUNTRY OF ORIGIN.

1973 1974

TOTAL	10.2	11.6	23.4
U.S.	2.0	2.8	3.9
JAPAN	4.2	3.5	7.3
ROC (TAIWAN)	1.1	1.3	1.3
W. GERMANY	.5	1.7	3.5

7. EMBASSY WELCOMES PROPOSED TRADE MISSION AND WILL BE ABLE TO SUPPORT MISSION DURING SUGGESTED TIME FRAME, THAT IS, AUGUST 8-15.

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